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POLICY

Voluntary _ Public

Date: 12/30/2010

GAIN Report Number:

Argentina

Post: Buenos Aires

Grain and Feed Voluntary

Report Categories:

Grain and Feed

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Report Highlights:

For marketing year (MY) 2010/11, Post increases its wheat production forecast to 14 million metric tons (MMT), up 500,000 metric tons (MT) from USDA current estimate based on reports of good yields in the already harvested area. Wheat domestic consumption has also been adjusted to 5.625 MMT, up 400,000 MT and ending stock levels have been raised significantly for MY2008/09, MY2009/10 and MY2010/11. Corn production forecast is lowered to 24 MMT based on unfavorable weather conditions (insufficient rains and hot days) during November and December 2010. Corn exports are also being lowered to 16.1 MMT as a result of the smaller harvest and likely government intervention through export quotas.

General Information:

Section I: Situation and Outlook

Wheat

Wheat production for MY 2010/11 is raised to 14 MMT on a harvested area of 4.5 million hectares (ha) based on reports that current wheat yields are above post's previous estimates of 3.0 MT/ha. According to the Ministry of Agriculture of Argentina (MGAP), 62 percent of the total planted area has been harvested through December 23, 2010 compared to 57 percent at the same time last year.

While the Ministry of Agriculture does not publish stock estimates, contacts and articles in the press indicate that there is a larger carryover of stocks from year to year that what has been previously maintained by USDA. Official press releases report that wheat ending stocks for MY2009/10 will be approximately one million MT. This, in addition to Ministry of Agriculture milling and export data through October 2010, indicates that production was higher than initially estimated. Area harvested and production is adjusted upward in MY2008/2009 to 130,000 ha to 5.25 million ha raising production to 10.5 MMT (up 400,000 MT). For MY2009/2010 area is brought up by 150,000 ha to 3.65 million ha and production to 11 MMT (up 500,000 MT).

This brings ending stock levels to 785,000 MT (up 400,000 MT) in MY2008/09; 963,000 MT (up 500,000 MT) in MY2009/10; and to 1.288 MMT (up 745,000 MT) in MY2010/11. According to official milling data from the Ministry of Agriculture, domestic consumption is also adjusted upward: for MY 2010/11 to 5.675 MMT (up 250,000 tons) and for MY2009/10 to 5.625 MMT (up 400,000 tons).

Actual exports and stock levels are largely determined by government policies. The National Office of Agricultural Trade Control (ONCCA) has controlled wheat (and corn) exports since May 2008 under regulations set out in resolution 543/08, which established rules for the allocation of export licenses with the objective of maintaining a steady supply to the domestic market. Since then, the market has been shut down for various periods of time. On September 30, 2009, ONCCA issued resolution 7552/09 that modified resolution 543/08. These two rules set the bases for such market intervention. Export licenses for wheat are granted on an ad-hoc basis at random times during the year based on export surplus as determined by the GOA.

For MY2010/11, the GOA has estimated that the total wheat export surplus is 6.5 MMT. In order to calculate the export surplus number, the GOA assumes that the total supply of wheat will be 14 MMT (1 MMT beginning stock plus 13 MMT production) and that domestic consumption will be 7.5 MMT. The GOA's consumption number includes 1.5 MMT of wheat milled for export whereas the USDA PSD adds this number to exports for a total of 8 MMT. The government has issued a 5 MMT export quota so far this year and has announced that it will issue an additional 1.5 MMT in January 2011.

Wheat export quotas

Commodity	Local MY	Announcement date	Amount (metric tons)
Wheat	2010/11	06/02/2010	3,000,000
Wheat	2010/11	12/02/2010	2,000,000
Wheat	2010/11	Expected by End of January	1,500,000
	Total		6,500,000

Source: Bolsa de Cereales de Buenos Aires

Wheat is being harvested, but there is significant downward pressure on prices due to limited local markets (current export quotas allocated are less than expected final exports). Farmers held a strike in mid-December to protest the government measures. They threatened to close down ports and milling factories in January if the government does not open the market. In response, the government has taken the following measures:

1. Agreed to increase the current quota by 1.5 MMT in January 2011. That will fulfill the 6.5 MMT total export capacity the government has calculated for MY 2010/11.
2. Request to the milling sector to buy 1 MMT at the theoretical FAS price in the next 45 days.
3. The National Bank will give loans at zero interest rate to small farmers to help store their harvest until they can attain a higher price. Total value of loans available is US\$210 million (AR\$840 million) equivalent to 1 MMT of wheat which will be available only to farmers that produce 300 MT or less of wheat. The loans will cover 70 percent of their production (210 MT).

Exports: On November 26, local newspapers reported that severe drought and a reduced wheat crop in Russia has prompted an agreement between Russia and Argentina. Argentina plans to export of 3 MMT's of wheat to the Russia beginning with 300,000 MT on January 2011 and a second shipment is expected for March 2011. This is the first time that Argentine wheat will be shipped to the Russian Federation since the beginning of the 1980s. With the current situation on export restrictions it remains to be seen whether or not this will be carried out.

Corn

Post is reducing its MY 2010/11 corn production forecast to 24 MMT on a harvested area of 3.2 million hectares due to deteriorated weather conditions expected to cause lower yields. The current outlook is for continued drier than normal weather due to the La Nina weather pattern. According to official reports, up until December 23, 2010, soil moisture and crop condition have both declined but not reached an alarming negative threshold yet. Despite the excellent rains earlier in the year, rains in October, November and December have been below average in most of the corn planting area. Warm temperatures during those months have increased evaporation causing depletion of soil water reserves and water stress to the corn plant. Because of this, Post is reducing the expected corn average yield from 7.8 MT/ha to 7.5 MT/ha. If the dry weather continues, it is likely that less area will be planted and some corn will be used for silage. So far, planting is on track with 85 percent of the total corn area planted as of December 23, which is equivalent to same time last year.

Post increases its corn production estimate for MY 2009/10 to 22.7 MMT based on official data. Also, Post is increasing MY2008/09 corn production to 15.5 MMT based on the assumption that some grain from MY2008/09 was actually exported in MY2009/10 due to government limits to issue export permits (ROE verde). This also creates ending stocks of 992,000 MT.

Post is reducing MY2010/11 exports to 16.1 MMT due to decreased production. Ending stocks for MY2010/11 are expected to increase to 1.042 MMT as a result of GOA restrictions on corn exports. Post raises MY2010/11 and MY2009/10 feed consumption forecast to 5.2 MMT and 5.5 MMT, respectively, as more corn is needed to meet the demands of the growing beef and poultry industries. Corn exports for 2009/10 are raised to 16 MMT. Based on official data through November 2010, 14 MMT has been exported and MAGP shipments and expected sales through the first week of January bring the total to 15.5 MMT with nearly 2 months remaining in the marketing year.

On November 15, the Argentine government announced a corn export quota of 5 MMT for the MY 2010/11 harvest, even though only a week before the press quoted the Minister of Agriculture reporting a corn export surplus of as much as 18 MMT. As in previous seasons, farmers are concerned about depressed domestic prices

Corn export quotas granted

Source: Bolsa de Cereales de Buenos Aires

Section II. Statistical Tables

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